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TAGS: [ENRG](#) [EPET](#) [EAID](#) [MCC](#) [NU](#) [VE](#)

SUBJECT: NICARAGUA - VENEZUELA ENERGY SECTOR COOPERATION
AGREEMENT

REF: A. MANAGUA 0639

[1](#)B. MANAGUA 0640

[1](#)1. (SBU) Summary. As part of a series of Bolivarian Alternative agreements between Nicaragua and Venezuela signed on January 11, 2007, respective Ministers of Foreign Relations also signed an Energy Sector Cooperation Agreement. The agreement sets out general areas for cooperation, including the refining, distribution, supply, and marketing of petroleum products. End Summary.

[1](#)2. (SBU) The Energy Sector Cooperation Agreement was one of a series of thirteen commitments with Venezuela negotiated by the Ortega government before it came to power on January 10, [1](#)2007. Nicaraguan Minister of Foreign Relations Samuel Santos and Venezuelan Minister of Foreign Relations Nicolas Maduro Moros signed the agreement on January 11, 2007. The substance of the agreement, along with the other commitments made that day, was kept from the public for weeks. This cable reports on an unsigned copy of this agreement.

Preambular Language

[1](#)3. (SBU) Preambular language stresses ties of friendship and cooperation, and the role that the energy sector can play in social development. Both countries pledge to collaborate on the implementation of policies having to do with the sovereign use of natural resources. The parties declare their political will to pursue regional energy integration within a framework where PETROCARIBE (a Venezuelan regional energy initiative) can contribute to energy security, socioeconomic development, and the transformation of society, such that the quality of life is improved and people participate in the determination and construction of their own destiny. The principles of cooperation, complementarity, self determination, solidarity, and respect for sovereignty are enunciated.

Article 1: Objective

[1](#)4. (SBU) The objective of this agreement is to promote and intensify bilateral energy cooperation through a broad and sustained process of integration and cooperation in the energy sector. The parties will work together to find ways for oil, gas, and electricity to contribute to regional development initiatives, particularly through PETROAMERICA and PETROCARIBE. Regional energy policy will be coordinated based on principles of equality, mutual respect of sovereignty and reciprocal advantages, in accordance with respective internal legislation foreseen by this agreement.

Article 2: Modalities

15. (SBU) To accomplish political and commercial energy integration, the parties will pursue the following activities:

- strengthen energy relations between the two countries through joint enterprises, service enterprises, and other sectors of mutual interest;
- create joint enterprises between Venezuelan Oil Company (PDVSA) and state entities designated by the Government of Nicaragua to develop projects for the refining, distribution, supply, and marketing of petroleum products;
- optimizing gasoline supply chains within the internal market of Nicaragua;
- supplying petroleum and refined products in quantities agreed upon by the parties, and establishing payment mechanisms;
- evaluating projects for the construction of a transport terminal for liquefied propane gas.
- evaluating the possibility of the direct supply of gas to Nicaragua via land, a transcaribbean gas pipeline, or sea, of liquefied natural gas.
- optimizing the infrastructure of distribution and supply terminals of crude oil and petroleum products;
- cooperating in the generation, transport, and distribution of electrical power in Nicaragua;
- cooperating in other ways that the parties mutually agree.

Article 3: Complementing Agreements

16. (SBU) To execute cooperation foreseen in this agreement, the parties may adopt complementing agreements.

Article 4: Competent Entities

17. (SBU) Competent authorities for this agreement are the Nicaraguan National Energy Commission and the Venezuelan Ministry of Energy and Petroleum. These entities may delegate the execution of this agreement to respective state enterprises, which may determine specific conditions required for cooperation.

Article 5: Control and Follow Up

18. (SBU) To assure prompt execution of this agreement, competent authorities will meet on agreed dates alternatively in each country, and establish executive working groups to realize cooperation in different sectors.

Article 6: Utilization of Information

19. (SBU) Parties may freely utilize all information exchanged under this agreement, except when one of the parties establishes restrictions, or reserves the use or distribution, or that which is classified as confidential. In no case shall such information be transferred to a third party without the written consent of the relevant party.

Article 7: Financing

10. (SBU) Each party will pay for expenses resulting from cooperative activities by their own competent authorities, unless another modality is agreed upon in writing.

Article 8: Labor Relations

11. (SBU) Commissioned personnel by each party will continue under the direction of the institution to which they belong, and the laws, regulations, and standards of that institution.

Personnel may not dedicate themselves to any activity outside their functions, nor may they receive remuneration outside that which has been established, without prior authorization from the competent authorities. Each of the parties is responsible for labor accidents and damages to their own property, independent of the place where it may occur, unless it is a consequence of grave negligence or hurtful conduct, in which case corresponding indemnities should provide cover.

Article 9: Third Parties

¶12. (SBU) This agreement does not preclude similar agreements with third parties.

Article 10: Sovereignty

¶13. (SBU) Nothing in this agreement affects the sovereign rights of Venezuela or Nicaragua over their natural resources.

Article 11: Termination and Modification

¶14. (SBU) This document may not be terminated or modified without previous written consent by the other party.

Article 12: Disputes

¶15. (SBU) Disputes will be resolved through friendly diplomatic negotiations.

Article 13: Amendment

¶16. (SBU) The agreement may be amended through common agreement.

Article 14: Entry Into force, Duration, and Termination

¶17. (SBU) The duration of the agreement is five years, automatically renewed for consecutive periods of one year unless one party notifies the other six months in advance of its intention not to renew it. Either party may withdraw from the agreement sixty days after having notified the other party. Termination of the agreement does not imply the termination of ongoing projects and programs agreed upon

during agreement, which shall continue until completed unless the parties agree otherwise.

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